

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 04840 051803Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-01
L-03 NSC-05 PA-01 PRS-01 SS-15 IGA-02 /085 W
-----060021Z 070490 /75

R 051302Z APR 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 2439

LIMITED OFFICIAL USE NEW DELHI 4840

EO 11652: NA
TAGS: ECON, IN
SUBJ: THE JANATA GOVERNMENT-NEW ECONOMIC POLICIES

REF: A. NEW DELHI 3940; B. NEW DELHI 4576

1. SUMMARY: THE ECONOMIC POLICIES THE NEW JANATA GOVERNMENT INTENDS TO FOLLOW WILL NOT BECOME APPARENT UNTIL THE BUDGET DEBATES BEGIN IN THE LOK SABHA IN MAY. THERE IS A GENERAL BELIEF THAT MANY ECONOMIC CONTROLS WILL BE LIFTED AND THAT THE PRIVATE SECTOR WILL BE GIVEN MORE FAVORABLE TREATMENT. THERE IS WIDE DISPARITY IN THE ECONOMIC VIEWS OF THE POLITICAL LEADERSHIP GROUP, HOWEVER, AND THE PROBLEMS AND COMPLEXITIES OF THE ECONOMIC ISSUES FACING THEM ARE CONSIDERABLE. IT IS MORE LIKELY THAT WHATEVER CHANGE IN ECONOMIC POLICY TAKES PLACE WILL BE GRADUAL AND CURRENT LONG TERM ECONOMIC STRATEGIES WILL NOT SOON SHOW MAJOR CHANGE. END SUMMARY

2. REF (A) OUTLINES ECONOMIC OBJECTIVES AS ANNOUNCED IN THE JANATA MANIFESTO. IN LINE WITH THIS, IN THE "VOTE ON ACCOUNT" (CONTINUING RESOLUTION) DEBATE IN THE LOK SABHA THIS PAST WEEK, (REF B) MR H M PATEL, THE NEW MINI-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 04840 051803Z

STER OF FINANCE, SAID THAT THE FOUR MAJOR PROBLEMS FACING INDIA WERE (A) RISING PRICES, (B) CONTROLLING GROWTH IN THE MONEY SUPPLY, (C) REDUCTION OF UNEMPLOYMENT, AND (D) ELIMINATION OF POVERTY. ACCORDINGLY, HE SAID, THE GOVERNMENT'S GOAL WOULD BE TO HAVE DECENTRALIZED AND AGRO-BASED DEVELOPMENT WHICH ALONE COULD SOLVE THE PROBLEM OF UNEMPLOYMENT AND POVERTY IN INDIA.

3. THE NEW MINISTER OF INDUSTRY, MR DRIJ LAL VARMA, ANNOUNCED THREE MAJOR PLANS FOR THE NEW INDUSTRIAL DEVELOPMENT POLICY AS: (A) ALL CONSUMER INDUSTRIES SHALL BE IN THE PRIVATE SECTOR AND SHALL BE FURTHER DISPERSED IN THE SMALL-SCALE SECTOR, (B) ALL MAJOR MANUFACTURING INDUSTRIES WILL BE IN THE HEAVY INDUSTRIAL SECTOR (GENERALLY IN THE PUBLIC SECTOR), AND (C) FUNDAMENTAL STRATEGY OF INDUSTRIAL DEVELOPMENT SHALL BE DECENTRALIZATION, USE OF INDIGENOUS MATERIALS, AND EXTENSIVE UTILIZATION OF THE AVAILABLE LABOR POTENTIAL. HE INDICATED ASSISTANCE WOULD BE PROVIDED TO THE PRIVATE SECTOR FOR INDUSTRIALIZATION AND IMPORT SUBSTITUTION, AND THAT GOVERNMENT WILL BE MORE DISCREET IN RESPECT TO NATIONALIZATION. HOWEVER, HE LATER WITHDREW THIS WHOLE STATEMENT OF POLICY AS BEING "PREMATURE". BIJU PATNAIK, MINISTER OF STEEL AND MINES, ON THE OTHER HAND, TALKED OF MORE EXPORT-ORIENTED STEEL MILLS, WHILE OTHER PRESS REPORTS SPECULATED THAT THE PUBLIC SECTOR WOULD BE CONFINED TO A SUPPLEMENTARY ROLE IN INDUSTRIAL GROWTH.

4. ALL OF THESE EXPECTATIONS MAY BE CONSIDERABLY TEMPERED AS THE DESAI GOVERNMENT BEGINS IN EARNEST TO FACE THE PROBLEMS OF THE IMMEDIATE FUTURE. THE CRITICAL FACTOR--WEATHER--AFTER TWO GOOD YEARS, MAY TURN SOUR. DEMANDS BY LABOR FOR HIGHER WAGES CANNOT CONTINUE TO BE SUPPRESSED BY A GOVERNMENT THAT IS DISMANTLING THE EMERGENCY POWER TO DO SO; PRESSURES ON PRICES WILL CONTINUE, AND UNEMPLOYMENT WILL REMAIN A MAJOR PROBLEM FOR YEARS TO COME. SOME LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 04840 051803Z

MEASURE OF RELIEF WILL BE INHERITED, HOWEVER, BY ALMOST 20 MILLION TONS OF FOODGRAIN BUFFER STOCK AND SOME \$3.4 BILLION IN FOREIGN EXCHANGE RESERVES. DOMESTIC OIL AND FERTILIZER PRODUCTION SHOULD CONTINUE TO GROW, EXPORTS WILL EXPAND, AND, WITH LUCK, THE IMPROVED COMMUNICATIONS SYSTEM (ESPECIALLY THE RAILWAYS) SHOULD CONTINUE TO OPERATE EFFICIENTLY.

5. BOTH THE PRIME MINISTER, AND THE NEW FINANCE MINISTER, ARE WIDELY BELIEVED TO FAVOR A REDUCTION IN THE INDIA'S PERVASIVE NETWORK OF ECONOMIC CONTROLS. UNLIKE THE GANDHI GOVERNMENT, WHICH PLACED GREATER EMPHASIS ON PUBLIC SECTOR INDUSTRIAL DEVELOPMENT AND HAD THE OBJECTIVE OF HAVING THE PUBLIC SECTOR OCCUPY "THE COMMANDING HEIGHTS" OF INDUSTRY, THE NEW GOVERNMENT SEEMS TO WANT TO GIVE GREATER SCOPE TO PRIVATE SECTOR DEVELOPMENT. THIS DOES NOT MEAN, HOWEVER, THAT THE CONCEPT OF A MIXED ECONOMY FOLLOWED BY THE PREVIOUS ADMINISTRATION WOULD NOW BECOME INVALID. BUSINESSMEN TO WHOM WE HAVE TALKED HAVE HIGH EXPECTA-

TIONS THAT THE NEW GOVERNMENT WILL PERMIT THEM MUCH MORE FLEXIBILITY IN RUNNING THEIR BUSINESSES.

6. SENIOR CIVIL SERVANTS WE HAVE TALKED TO SHARE THE BELIEF THAT THE NEW GOVERNMENT FAVORS A REDUCTION IN ECONOMIC CONTROLS, AND WILL PLACE MORE EMPHASIS ON PRIVATE SECTOR DEVELOPMENT. THEY POINT OUT, HOWEVER, THAT THE NEW ADMINISTRATION HAS YET TO COPE WITH THE COMPLEXITIES OF THE ECONOMIC ISSUES FACING THEM. THE LIMITS OF INDIA'S HUMAN RESOURCES (NOT IN NUMBERS BUT IN ABILITY), LIMITS ON AVAILABLE CAPITAL, AND THE FOUNDATIONS OF A DEVELOPMENT STRATEGY THAT HAS ALREADY BEEN LAID, WILL CONSTRAIN THE NEW PRIORITIES THE JANATA GOVERNMENT WOULD LIKE TO SET. DURING APRIL AND EARLY MAY, WHEN THE LOK SABHA WILL NOT BE IN SESSION, ACCORDING TO ONE MINISTRY OF COMMERCE OFFICIAL, THE NEW GOVERNMENT WILL BE WRESTLING WITH THE PROBLEMS OF TRANSLATING THEIR OBJECTIVES INTO WORKABLE PRIORITIES FOR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 NEW DE 04840 051803Z

THE NEW BUDGET. THIS, AND TO SOME EXTENT THE NEW IMPORT POLICY, SHOULD PERMIT US TO SEE MORE CLEARLY THE EXTENT OF CHANGE THAT CAN ACTUALLY BE ANTICIPATED.

7. RUMORS ARE RIFE AMONG GOVERNMENT OFFICIALS ABOUT THE PEOPLE THAT MAY BE BROUGHT INTO GOVERNMENT AND ON POSSIBLE REORGANIZATION OF MINISTRIES. IN PARTICULAR I G PATEL, PRESENTLY DEPUTY ADMINISTRATOR, UNDP, WHO IS EXPECTED BACK IN INDIA IN A FEW DAYS, HAS BEEN RUMORED TO BE SLATED FOR (1) A SPECIAL HIGH RANKING APPOINTMENT, (2) HEAD OF THE PLANNING COMMISSION, AND (3) HEAD OF A NEW COUNCIL OF ECONOMIC ADVISORS, OR (R) CHAIRMAN OF THE RESERVE BANK. THERE ARE ALSO RUMORS THAT BOTH THE COMMERCE AND FINANCE MINISTRIES WILL BE SUBSTANTIALLY REORGANIZED, THAT THE PLANNING COMMISSION WILL EITHER BE REINVIGORATED OR ABOLISHED, OR ABSORBED BY SOME OTHER GOVERNMENT AGENCY, AND THAT THE RESERVE BANK WILL REGAIN AUTONOMY IN ITS ROLE AS A CENTRAL BANK.

8. SHOULD SOME OF THESE MATERIALIZE, IT COULD BE STRONG EVIDENCE THAT THE JANATA GOVERNMENT IS INDEED INTENT ON MAKING SUBSTANTIAL CHANGES IN ECONOMIC MANAGEMENT. GIVEN THE WIDE DISPARITY IN THE PHILOSOPHY OF THE MEMBERS OF THE JANATA CABINET, AS EVIDENCED BY THE DIFFERENCE IN SOME OF THEIR PUBLIC STATEMENTS, AND THE ENORMITY AND THE COMPLEXITIES OF THE PROBLEMS FACING THEM, IT IS MORE LIKELY THAT WHATEVER CHANGE IN ECONOMIC POLICY TAKES PLACE WILL BE GRADUAL AND CURRENT LONG TERM ECONOMIC STRATEGIES WILL NOT SOON SHOW MAJOR CHANGE.
SCHNEIDER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT REFORM, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NEWDE04840
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770118-1181
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770487/aaaacxor.tel
Line Count: 169
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3a1befa9-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 NEW DELHI 3940, 77 NEW DELHI 4576
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2894016
Secure: OPEN
Status: NATIVE
Subject: THE JANATA GOVERNMENT-NEW ECONOMIC POLICIES
TAGS: ECON, IN, JANATA PARTY
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3a1befa9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009